

Exhibit D

DISTRICT COURT OF THE STATE OF UTAH
FOURTH JUDICIAL DISTRICT
UTAH COUNTY

GARTH O. GREEN ENTERPRISES,)	
INC., a Utah corporation,)	Case No. 130400184
)	
Plaintiff,)	DEPOSITION OF:
)	RICHARD N. REESE
v.)	
)	TAKEN:
RANDALL HARWARD, an individual;)	September 23, 2013
RICHARD HARWARD, an individual;)	
HARWARD IRRIGATION SYSTEMS)	Judge: Laycock
INC., a Utah corporation;)	
GRASS VALLEY HOLDINGS L.P.;)	
DOES 1-10; and ROE CORPORATIONS)	
I-X,)	
)	
Defendants,)	

Deposition of RICHARD N. REESE, taken on behalf of the Plaintiff, at the offices of Standard Plumbing 9150 South 300 West, Sandy, Utah, before Jill C. Dunford, Certified Shorthand Reporter, pursuant to Notice.

I N D E X

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A P P E A R A N C E S

For the Plaintiff:	Adam C. Dunn DUNN LAW FIRM 110 West Tabernacle P.O. Box 2318 St. George, Utah 84770
For the Defendants:	Sonny J. Olsen AXIOM LEGAL 730 South Sleep Ridge Drive Suite 300 Orem, Utah 84058
For the Witness:	James T. Burton KIRTON & McCONKIE 1800 World Trade Center 60 East South Temple Salt Lake City, Utah 84111 Miles Romney STANDARD PLUMBING SUPPLY CO. In-House Counsel 9310 South 370 West Sandy, Utah 84070

Also Present: Mike and Garth Green

2

1 September 23, 2013 8:40 a.m.

2 P R O C E E D I N G S

3 RICHARD N. REESE,

4 called as a witness herein, having been first duly sworn

5 by the Certified Court Reporter to speak to the truth,

6 was examined and testified as follows:

7 EXAMINATION

8 (BY MR. DUNN)

9 Q. Mr. Reese, my name is Adam Dunn. I represent

10 Garth O. Green Enterprises. Is it okay if I call that

11 company Southwest today?

12 A. That's fine.

13 Q. Thanks. Have you ever had your deposition

14 taken before?

15 A. Yes, I have.

16 Q. Approximately how many times?

17 A. Just once.

18 Q. What was the nature of that case?

19 A. It was an International Trade Commission

20 case.

21 Q. How long ago was that deposition?

22 A. Earlier this year.

23 Q. Before that you hadn't been deposed?

24 A. Not that I remember.

25 Q. A couple of things on your deposition.

4

1 Today you have taken the oath that you would take
2 in a court of law. I'm entitled to your best
3 recollection as well as your best estimate.

4 Do you understand what I mean when I say
5 "estimate"?

6 A. Tell me what an estimate means.

7 Q. Well, what I mean when I say an estimate is
8 if I were to ask you approximately how long this table
9 is, you could give me an estimate.

10 But if I asked you approximately how long my desk
11 is in my office, you couldn't because you have never seen
12 it. It would be really just a guess.

13 Is that clear?

14 A. That's clear.

15 Q. Excellent. Is there anything that would
16 impair your ability to give full and accurate testimony
17 today? Any medications? Any other difficulties?

18 A. No.

19 Q. Also, the court reporter is taking down
20 everything we say to preserve a record. We'll be using
21 that record as we go forward in this litigation as well
22 as perhaps at the stage of trial. And as a result, I
23 would ask you don't speak over me and I'll do my best to
24 not speak over you.

25 Is that okay?

5

1 Q. What is your current position with Standard
2 Plumbing?

3 A. I'm the president.

4 Q. How long have you been the president?

5 A. Since 1992.

6 Q. Now, are you familiar with the Harwards?
7 I'll call them the Harwards.

8 A. Yes.

9 Q. Is it okay if I refer to their business as
10 Sprinkler World today?

11 A. Yes.

12 Q. Today we are here to ask you some questions
13 about your involvement with Sprinkler World, a little bit
14 of history going back, not too long, but over the last
15 year, year and a half, two years.

16 When did you first learn that Sprinkler World was
17 for sale?

18 A. January 4th.

19 Q. January 4th of what year?

20 A. Of 2013.

21 Q. And before that date, had you heard from
22 anyone that Sprinkler World was for sale?

23 A. Many years ago Randall had come to my office,
24 I think it was probably in 2010, and tried to -- he was
25 looking for financing for his business to get him through

7

1 A. Yes.

2 Q. Also, from time to time your attorney or
3 attorneys -- I suppose you are represented by both these
4 gentlemen here -- may object. Mr. Olsen may also object.
5 In spite of the objections, unless they counsel you to
6 not answer the question, I'd ask that you answer the
7 question.

8 Is that clear?

9 A. Yes.

10 Q. Mr. Reese, if you would, give your business
11 address for the record.

12 A. 9310 South 370 West, Sandy, Utah.

13 Q. Thank you. And what is your educational
14 background?

15 A. I am a high school graduate and I have three
16 years of college.

17 Q. Where did you go to college?

18 A. The University of Utah, LDS Business College,
19 and BYU.

20 Q. What did you study while you were in college?

21 A. Business.

22 Q. If you could, just briefly give me your
23 employment history.

24 A. I have worked for Standard Plumbing Supply
25 Company since -- full-time since 1982.

6

1 the wintertime and he mentioned at that time that --
2 about selling the business. At the time I had no
3 interest.

4 Q. Why did you have no interest at that time?

5 A. We were in the middle of the housing
6 depression and he threw numbers out that were very high
7 and I didn't really think he was very serious.

8 Q. Why didn't you think he was very serious?

9 A. Because the numbers were high and he was
10 asking for financing at the same time.

11 Q. Do you recall what the numbers were?

12 A. I think he wanted \$2 million.

13 Q. And what did you understand you would be
14 buying for the \$2 million back in 2010?

15 A. We never discussed it more about what he was
16 selling outside of he had his business and he was looking
17 for financing and wanted -- and said, "Or you could buy
18 it for \$2 million."

19 Q. Between 2010 and January 4th of 2013, did you
20 have any conversations with anyone from Sprinkler World
21 about purchasing their business?

22 A. No.

23 Q. Now, let's fast forward to January 4th, 2013.
24 How did you learn that Sprinkler World was for sale?

25 A. I got a call from Gary Golightly. He left a

8

1 message.
 2 Q. Who is Gary Golightly?
 3 A. He's the owner of Sprinkler Supply.
 4 Q. And what is Sprinkler Supply?
 5 A. They are a wholesale distributor of sprinkler
 6 parts in this market.
 7 Q. And what did he say in his message?
 8 A. He said that Sprinkler World was going to
 9 sell to Southwest and he wanted to talk to me about it.
 10 Q. Anything else in that message?
 11 A. Not that I remember.
 12 Q. Then what did you do once you received that
 13 message?
 14 A. That was on Friday. I called him Monday.
 15 Q. So I want to make sure that my math is
 16 correct. January 4th was a Friday?
 17 A. Yes.
 18 Q. So 5th, 6th, you called him on the 7th?
 19 A. Yes.
 20 Q. Do you recall approximately what time of day
 21 you called him on the 7th?
 22 A. No. I believe it was before -- it was in the
 23 morning hours.
 24 Q. Would it have been first thing in the
 25 morning?

9

1 A. This is all we discussed.
 2 Q. Do you recall approximately how long that
 3 phone conversation was?
 4 A. I don't remember exactly.
 5 Q. Do you have an estimate?
 6 A. Not that would be anything but a guess.
 7 Q. Using guess and estimate like I did at the
 8 beginning. Good job.
 9 What did you do after you hung up with
 10 Mr. Golightly?
 11 MR. BURTON: Objection. Vague.
 12 Q. (BY MR. DUNN) With the information that
 13 Mr. Golightly gave you, what did you do when you hung up
 14 with him?
 15 A. Later on I called Randall.
 16 Q. Later on on the 7th?
 17 A. On the 7th.
 18 Q. Do you recall approximately what time you
 19 called? And that's Randall Harward I assume you are
 20 referring to. Is that correct?
 21 A. Yes.
 22 Q. Do you recall what time you called Randall
 23 Harward?
 24 A. It would have been in the early afternoon, I
 25 think.

11

1 A. I don't think so.
 2 Q. And what did you discuss with Mr. Golightly
 3 in the morning of January 7th, 2013?
 4 A. He told me that Sprinkler World was for sale
 5 and that they were entertaining offers and that they were
 6 going to sell to Southwest Plumbing Supply, from what he
 7 had heard.
 8 Q. When you say he told you that they were
 9 entertaining offers, did he tell you how he knew they
 10 were entertaining offers?
 11 A. He didn't tell me how he came up with the
 12 information.
 13 Q. Did he tell you anything else?
 14 A. He said, "You should go buy them."
 15 Q. Did he tell you why you should go buy them?
 16 A. I came back to him and said, "No, you should
 17 go buy them."
 18 Q. But did he tell you why you should buy it?
 19 A. No.
 20 Q. Why did you tell him he should buy Sprinkler
 21 World?
 22 A. Because he's heavily invested in the
 23 sprinkler business.
 24 Q. What else did you and Mr. Golightly discuss
 25 on January 7th, 2013?

10

1 Q. What did you say to Randall Harward in that
 2 phone conversation?
 3 A. I asked Randall if he was selling to
 4 Southwest.
 5 Q. And what did Mr. Harward tell you?
 6 A. He said that he had received an offer from
 7 them. That the paperwork had shown up and it was
 8 different than what he thought he had agreed to. I asked
 9 him if the deal was done and he said no, it wasn't done.
 10 Q. What else did you say to Mr. Harward?
 11 A. I asked him if he was interested in
 12 entertaining an offer from us and he said he was.
 13 Q. What else did you say to Mr. Harward in that
 14 phone conversation?
 15 A. I asked him once he told me that he was
 16 interested in speaking with us, I told -- I asked him if
 17 I could come down and see him.
 18 Q. What else did you say?
 19 A. I don't recollect any more.
 20 Q. Did you discuss any numbers?
 21 A. Not at that time.
 22 Q. You mentioned as I have asked some of these
 23 questions of what you said to Mr. Harward, you have
 24 mentioned some of the things that he said to you in that
 25 phone conversation.

12

1 Prior to January 4th, 2013, did you have any
2 access to accounts receivable information or inventory
3 information of Sprinkler World?

4 A. No.

5 Q. Did you know where their retail locations
6 were?

7 A. Yes.

8 Q. And where were they?

9 A. Roosevelt, Sandy, Lehi, Orem, and Spanish
10 Fork, Springville.

11 Q. I noticed as I drove up the road there was a
12 Sprinkler World and then I think a couple of doors down
13 there's a Standard Plumbing Supply?

14 A. Yes.

15 Q. How are the two retail businesses different?

16 MR. BURTON: Objection to the form of the
17 question.

18 Q. (BY MR. DUNN) Go ahead and answer, if you
19 can.

20 A. We basically sell to subcontractors. We sell
21 them supplies, supplies that go into housing in
22 industrial complexes. We extend credit. We purchase
23 from manufacturers. We handle deliveries. They are
24 commonality of wholesale retail businesses.

25 Q. So how is Sprinkler World, that retail world

17

1 but the paperwork was different than what they had felt
2 it should have been, and they thought they didn't have a
3 deal.

4 I asked them if they wanted to entertain a deal
5 from Standard Plumbing Supply Company. And the other
6 brothers were there and they said they were very
7 interested in entertaining a proposal from us. And they
8 gave me a few outlines for things that they were looking
9 for. Primarily they told me how much inventory they had,
10 how they would be willing to discount that inventory to
11 some extent.

12 They gave me an ad basically of what fixed assets
13 they had and what they were looking for to lease the
14 buildings.

15 Q. Anything else in that outline that they had
16 given you?

17 A. They spoke about their payables. They told
18 us what their payables were. And we discussed if there
19 were any other lease obligations that they might have.

20 Q. What did they -- in that outline what did
21 they tell you about the inventory?

22 A. They told us they had a million and a half,
23 approximately, and that they were looking to sell the
24 inventory for a million, one.

25 Q. What did you tell them about that number, if

19

1 location just a couple of doors down from Sprinkler
2 World, how is it different from Standard just two doors
3 down?

4 A. They sell sprinkler parts. The location that
5 you are referring to sells heating and air-conditioning
6 equipment.

7 Q. Now, is there anything else that you could
8 recall from your afternoon phone conversation with
9 Randall Harward on January 7th to your afternoon meeting
10 with Randall Harward on January 8th of what you did with
11 regard to Sprinkler World?

12 A. Outside of visiting with Gary Golightly on
13 and off during that period of time, I had a business to
14 run. That's why I couldn't go see them until the
15 afternoon. I had appointments that morning and that was
16 the soonest I could get there and I didn't really have
17 the time to invest anything. Besides that, I hadn't
18 really confirmed from them that they really were in a
19 position to even sell the business.

20 Q. Okay. Now let's talk about the afternoon
21 meeting on January 8th. What did you talk about in that
22 meeting?

23 A. I asked them if they had an offer from
24 Southwest and if the deal was done. And they said that
25 they had discussed with Southwest buying the business,

18

1 anything?

2 A. We were on the same computer system, so I
3 asked them how they came up with that number and they
4 said that they had looked at a sales history analysis and
5 these were items that hadn't sold within a certain period
6 of time. They had discounted those by 85 percent or
7 something like that. So they had discounted the slow
8 moving inventory down to 15 cents on the dollar. The
9 regular moving inventory they had discounted to 85 cents
10 on the dollar.

11 Q. Did you tell them anything else about what
12 you felt about that number?

13 A. No. We bought a fair number of businesses
14 over the last year or so, and so I didn't think that it
15 was an unreasonable number for inventory and it was
16 always subject to final count anyway.

17 Q. What do you mean by that?

18 A. When you buy a business, you make an offer,
19 they accept the offer, you basically close, and you have
20 a period of time to go back and review the numbers that
21 have been represented to you to make sure that they are
22 correct and you adjust the payment accordingly.

23 Q. And so it was your understanding that once
24 you assessed the actual inventory, that number could be
25 adjusted?

20

1 in pieces. Thank you.

2 So you had this discussion with Mr. Harward where

3 you are talking about the viability of the discussions

4 between the Plaintiff and the Defendant; right?

5 A. Yes.

6 MR. DUNN: I'll object as to assuming facts

7 not in evidence.

8 Q. (BY MR. OLSEN) Now, that conversation is

9 crucial. And so I want to know during that conversation

10 with Mr. Harward, did Mr. Harward, Mr. Randall Harward,

11 indicate to you that he was going to -- I'm going to say

12 breach, I'm just going to use the term breach. Do you

13 know what I mean by breach?

14 A. Yes.

15 Q. Did he say he was just going to breach the

16 agreement with Southwest?

17 A. No.

18 Q. Did anyone, any of the Defendants just come

19 right out and say, "You know what? We're not going to

20 deal with them. We got a better offer from you, let's

21 just move forward"? Anything like that?

22 A. When I visited with them on Tuesday, they

23 represented to me that they had been in discussions but

24 they had not consummated the deal and that the paperwork

25 was different than what they felt they had agreed to.

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1 MR. OLSEN: That's all I have.

2 MR. DUNN: That's all I have, Mr. Reese.

3 Counsel, would you like to read and sign?

4 MR. BURTON: I have no questions.

5 MR. DUNN: Would you like to read and sign?

6 MR. BURTON: Yes, I would.

7 (The deposition was concluded at 10:00 a.m.)

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1 Q. Okay.

2 A. So I asked them, I said, "So are we free to

3 negotiate and discuss this? I'm not interfering with

4 their contract?" And they said, "We don't have one yet."

5 Q. To be fair to you, I'm just going to ask you

6 -- and thank you for that -- I'm just going to ask you to

7 look at the totality of your observations during this

8 conversation. Okay? And I'm just asking about what your

9 observations were regarding what the Defendants were

10 doing with respect to this purported agreement. Okay?

11 So just think about your observations.

12 As you observed Mr. Harward, did he do anything,

13 did he manifest any outward expression, whether with

14 words or with gestures, that they were just going to

15 flout this agreement, just knowingly flout it, just

16 forget about it?

17 A. No. No, they -- they represented they were

18 free to entertain an offer from us and we told them we'd

19 make them an offer. And then we finally negotiated the

20 offer after the text had come that said the deal is off.

21 Q. Now, my last question is did any of the

22 Defendants explain to you or comment to you that the

23 Defendants were in an exclusive arrangement with

24 Southwest in any way during any of these proceedings?

25 A. No.

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1 CERTIFICATE

2

3 I, JILL C. DUNFORD, Registered

4 Professional Reporter, certify:

5 That the foregoing deposition of RICHARD

6 N. REESE was taken before me pursuant to Notice at the

7 time and place therein set forth, at which time the

8 witness was put under oath by me;

9 That the testimony of the witness and

10 all objections made at the time of the examination were

11 recorded stenographically by me and were thereafter

12 transcribed under my direction;

13 I FURTHER CERTIFY that I am neither

14 counsel for nor related to any party to said action nor

15 in any way interested in the outcome thereof.

16 Certified and dated this ____ day

17 of ____, 2013.

18

19

20 JILL C. DUNFORD, CSR, RPR, RMR

21 Certified Shorthand Reporter

22 for the State of Utah

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